



IHFA Developments

2000 Application Highlights

The new IHFA application packages for 2000 are now available for the Housing from Shelters to Homeownership, CHDO Works, and Foundations programs. You can receive a copy by faxing a request to the Development Assistant at (317) 232-7778 or downloading a copy from the IHFA website at <http://www.indianahousing.org>. Below are highlights of some of the changes to the packages this year.

Housing from Shelters to Homeownership

- This year you can apply for HOME, CDBG, or Low Income Housing Trust Fund financing by completing this application package. If you want to apply for HOME and Trust Fund or CDBG and Trust Fund, you can now indicate both requests on the same form. Only stand-alone Trust Fund applications will still be received and reviewed monthly.
- Applicants, subrecipients, grant administrators, and application preparers for HOME and CDBG funds are limited to applying for \$600,000 per funding round. There is no longer a limit on the number of applications per round that can be submitted from one organization.

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The State Con Plan - Your Input is Important

Beginning in Program Year 1995 (which runs July 1, 1995, through June 30, 1996), the U.S. Department of Housing and Urban Development (HUD) required states and local communities to prepare a Consolidated Plan in order to receive federal housing and community development funding. The Plan consolidates into a single document the planning and application requirements for Community Development Block Grants (CDBG), the HOME Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for People with AIDS (HOPWA) funding. Consolidated Plans are required to be prepared every five years; updates to the five-year plan are required annually. The purpose of the Consolidated Plan is to:

1. Identify the State's housing and community development needs, priorities, goals, and strategies; and
2. Stipulate how funds will be allocated to state housing and community development nonprofit organizations and local governments.

A new five-year plan will be prepared in 2000. As four state agencies (Indiana Housing Finance Authority, Indiana Department of Commerce, Family and Social Services Administra-

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Important Dates to Remember

Foundations/Low Income Housing Trust Fund

Application Due Dates

.....1st of Every Month

Housing from Shelters to Homeownership/CHDO Works Round 1 – 2000:

Early Submission Due Date....Jan. 18

Application Due Date.....Feb. 1

Early Submission Correction

Deadline..... Feb. 10

Award Announcement..... Mar. 23

Round 2 – 2000:

Early Submission Due Date...May 17

Application Due Date..... June 1

Early Submission Correction

Deadline..... June 12

Award Announcement.....July 27

Round 3 – 2000:

Early Submission Due Date..Sept. 15

Application Due Date.....Oct. 2

Early Submission Correction

Deadline..... Oct. 13

Award Announcement..... Nov. 16

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- Public housing authorities can now apply directly for HOME and Trust Fund. Townships can apply directly for HOME funds as well. Joint ventures between not-for-profit and for-profit entities are no longer permitted for the Trust Fund.
- Emergency and youth shelter projects can now receive up to \$20,000 per bed in CDBG funding. All other CDBG-funded activities still cannot exceed \$10,000 per beneficiary.
- The maximum per unit award for HOME and CDBG has increased to \$35,000 for 0 bedroom units and \$40,000 for 1 or more bedroom units. For Trust Fund, the maximum per unit award for homebuyer and lease-purchase projects has increased to \$70,000, while it remains \$40,000 per unit for all other types of activities.
- No Trust Fund award recipient can have an outstanding balance of more than \$750,000 at any one time.
- In the scoring criteria under "Cost Per Unit," the maximum amount for rental, homebuyer, and lease-purchase activities has increased by \$5,000.
- CDBG applicants are now required to hold only one public hearing prior to application submittal.

Below: Home-funded rental housing developed by Knox County Rural Housing Finance.



- Applicants can use HOME or CDBG to fund manufactured housing if they are willing to put the unit on a permanent foundation.
- Information on doing a lease-purchase project as an eligible activity for HOME funding is now provided in the application.
- The maximum grant request for CHDOs doing HOME CHDO-eligible activities has been lowered from \$750,000 to \$600,000. The maximum grant request for all other applicants and funding sources is still \$500,000.

CHDO Works

- Only applicants that have never received CHDO Works awards will be able to participate in the early submission process.
- Those entities that have received a CHDO Works award more than 24 months ago and have not yet begun a CHDO-eligible, HOME-funded project will not be able to apply for additional CHDO Works awards until that activity is started.
- CHDOs cannot receive more than \$50,000 or 50% of their annual operating expenses in HOME operating funding, whichever is greater, in a given fiscal year. This includes both HOME operating funding received through CHDO Works and HOME-funded projects.

Foundations

- The maximum award amount for housing needs assessments was increased. For populations of 10,000 or less you can request up to \$20,000, 10,000-15,000 up to \$25,000, and over 15,000 up to \$30,000 per application.
- Applicants wanting to do feasibility studies can request up to \$50,000 per application.
- Applications will still be accepted monthly but are now due on the first business day of the month.

(Con Plan continued from page 1)

tion, and the State Department of Health) embark on the next five-year plan, we encourage you to become involved in the planning process.

The Consolidated Plan Committee has created a Community Survey to receive input from low and moderate income persons and persons with special housing needs regarding their views on the quality of life and experience of living in their communities. We appreciate your assistance in getting these surveys to your clients. Please contact Dr. Linda Keys at (765) 285-1600 to request copies of the survey.

In January 2000, the Consolidated Plan Committee will host public forums at various locations throughout the state as a second means of gathering public input regarding housing and community development needs and the use of federal funds to address these needs (see list below). We encourage you to take advantage of

the public comment process as an opportunity to express your views on these issues. The meetings will be held:

- January 18th - Michigan City (Community Service Center, 3012 E. 8th Street)
- January 19th - Kendallville (Kendallville Banquet & Conference, 615 N. Professional Way)
- January 20th - Logansport (Cass County Mental Health Center, 421 12th Street)
- January 24th - Jeffersonville (Gilt Edge Baptist Church, 1725 Green Street)
- January 25th - Vincennes (Executive Inn, One Executive Road)
- January 28th - Indianapolis (War Memorial, 431 N. Meridian St.)

For more information on the state Consolidated Plan, please contact Sheryl Sharpe, Development Manager, at (800) 872-0371.



Using Section 8 Assistance for Lease-Purchase

Most people are somewhat familiar with the federal government's Section 8 program, which provides tenant-based rental assistance to low- and moderate-income families. But many people are not aware that, under the current regulations, the Section 8 program allows an option where its assistance can be used to help tenants toward eventual homeownership.

In March 1997, the U.S. Department of Housing and Urban Development (HUD) issued Notice PIH 97-13, which advised public housing agencies that "Section 8 tenant-based rental voucher and certificate program regulations do not prohibit the use of lease-purchase arrangements." This means that Section 8 tenant-based assistance can be used to help pay a tenant's rent even if a lease-purchase agreement, under which the tenant may eventually come to own their housing unit, is in effect. Specifically, the notice states that, "A lease-purchase agreement is an agreement between an owner and a tenant of a rental unit that gives the tenant the opportunity

to purchase that rental unit.... Regulations for the Section 8 tenant-based rental voucher and certificate programs do not preclude inclusion of a lease-purchase agreement in the lease between the assisted family and the Section 8 owner."

However, the notice also states that "approval of the unit, the lease, and the terms of the lease must be in accordance with the normal requirements of an assisted tenancy under the programs," and that "the lease must contain the same required provisions as for any assisted tenancy" and must satisfy all Section 8 program requirements. The rental assistance "may continue only as long as an assisted tenant continues to lease the unit." When the tenant takes title and becomes the owner of the unit, the assistance will no longer be provided. Other restrictions also apply, but Notice PIH 97-13 makes clear that public housing agencies administering the Section 8 program can, at their

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How Does URA Apply to My Project? Part 2 of 3

In the last issue of this newsletter, we introduced some of the basic provisions of the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970* (URA). Specifically the article discussed how to minimize displacement and the difference between voluntary and involuntary acquisition. In this issue, we discuss how the requirements of URA impact specific types of housing activities funded with HOME and CDBG awards.

Rehabilitation of Owner-Occupied Units

Owner-occupied rehabilitation programs are structured as voluntary programs where homeowners apply for assistance. Therefore, homeowners are not generally entitled to replacement housing payments. In cases where it is not feasible for the homeowner to remain in the unit during rehabilitation, the homeowner is considered temporarily displaced. The temporary dwelling must be suitable, decent, safe, and sanitary, but not necessarily comparable to the unit being rehabilitated. The resident must be given:

- reasonable advance written notice of the date and approximate duration of the planned temporary move; and

- reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary move including any increase in monthly housing and utility costs.

Rehabilitation of Vacant Rental Units

The grantee must be able to provide documentation that no tenants were displaced so that the proposed CDBG or HOME project could utilize a vacant property.

Rehabilitation of Occupied Rental Units

A General Information Notice must be provided to all tenants as soon as feasible after the submission of an application to IHFA or as soon as a specific property has been identified for CDBG and/or HOME assistance. The notice must explain that the project has been proposed and caution the person not to move prematurely. The General Information Notice should inform the person of the terms for continued occupancy if the resident will not be displaced or of the assistance available if the person will be displaced.

Occupied Rental Units- Non-Displacement

Residents that will remain in the project following rehabilitation must be given a Notice of Nondisplacement. The notice should contain a specific offer of a suitable, affordable unit in the project.

Occupied Rental Units – Economic Displacement

If a tenant's rent increases as a result of the project and the increased rent and utilities are greater than the household's affordable rent level, then the household must be considered economically displaced. The grantee must treat this household like any other displaced household, by issuing a Notice of Eligibility and

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Below: An owner-occupied rehabilitation project by LaCasa of Goshen.



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providing a replacement housing payment and relocation assistance.

Occupied Rental Units – Permanent Displacement

Displacement occurs when a person (or their property) permanently moves as a direct result of a federally assisted acquisition, demolition, or rehabilitation project. A direct result includes the following:

- The person is required to move from the property (e.g., because the family size cannot be accommodated after rehabilitation, the unit is demolished or its use is changed, or the family's lease is not renewed).
- The person leaves the property because a decent, safe, sanitary, and affordable unit in the property was not offered.
- The person leaves the property because of unreasonable temporary relocation requirements or unreasonable terms for permanent moves within the property.
- The person leaves for whatever reasons, AND the necessary notices to assure that the person was fully informed about relocation rights and assistance were not given or were not given in a timely fashion.
- The person leaves the property because the landlord did not renew their lease in order to avoid displacement.
- The landlord forces tenants to move in order to provide a vacant property for CDBG or HOME assistance.

Displacement does not include persons who:

- Were evicted for cause, BUT not if the eviction is taken to evade paying relocation assistance,
- Have no legal right to occupy the

property (e.g. persons that meet the definition of squatters under local law),

- Before leasing and occupying the property, but after application for project funding, receive written notice of the possibility that displacement or an increase in rent may occur and that relocation assistance will not be provided,
 - Retain the right of use and occupancy of the property following acquisition (life estates),
 - After being fully informed of their rights, waive them,
 - The grantee decides (and HUD agrees in writing) were not displaced as a direct result of the project (professional relocatees), or
 - Were required to move out for a short period to facilitate emergency repairs, as long as certain conditions are met.
- Tenants to be displaced must be given a Notice of Eligibility for Relocation Assistance. Each lawful occupant to be displaced must receive at least

90 days written advance notice before being required to move. Occupants may be required to move with less than 90 days notice only if the grantee determines and IHFA concurs that the notice is impracticable (e.g., a health hazard).

Occupied Rental Units – Temporary Displacement

In cases where it would be infeasible for the tenant to remain in the unit during rehabilitation, the tenant is considered temporarily displaced. The temporary dwelling must be suitable, decent, safe, and sanitary but not necessarily comparable to the unit being rehabilitated.

In the next issue we will discuss the demolition of housing units and URA.



A Note from the Executive Director

IHFA Funds Statewide Housing Market Study

Early this year, the Indiana Housing Finance Authority (IHFA) commissioned Arthur Andersen LLP, under the direction of the Indiana Equity Fund, Inc., to conduct a statewide housing market study. The study gathered information on:

- General demographics,
- Average single family home prices,
- Rents for market rate and subsidized units,
- Construction cost differentials from area to area,
- Market demand for low- and moderate-income housing,
- The supply of housing, and
- Homeownership opportunities for low- and moderate-income populations.

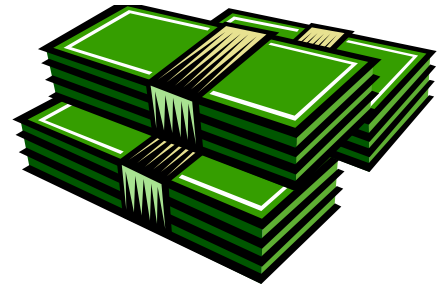
A separate study funded under this same program was conducted by the Indiana Coalition for Housing and Homeless Issues. It addressed the need for transitional housing in the State of Indiana.

The data is provided by county and submarket for all 92 counties in Indiana. This information is available to assist both public and private entities as they work to address the housing needs of the low- and moderate-income residents of Indiana. The data regarding transitional housing will be published separately. The two studies will be available to download from the IHFA

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Recent Awards from IHFA

The Indiana Housing Finance Authority's Board of Directors recently approved the following awards:



Organization	Amount of Award	Type of Project - Funding Source
August 1999 Awards:		
Ohio Valley Opportunities, Inc.	\$278,000	Rental - New Construction - Trust Fund
Lincoln Hills Development Corporation	\$500,000	Rental Rehabilitation - Trust Fund
October 1999 Awards:		
Area 12 Council on Aging & Community Services	\$28,000	CHDO Operating Funds - HOME
Heart House, Inc.	\$30,000	CHDO Operating Funds - HOME
Hoosier Uplands Economic Development Corporation	\$30,000	CHDO Operating Funds - HOME
Southeastern Indiana Community Preservation & Development Corporation	\$30,000	CHDO Operating Funds - HOME
Orange County Commissioners	\$25,000	Feasibility Study - CDBG
Sullivan County Preservation Alliance, Inc.	\$438,000	Rental Rehabilitation - Trust Fund
November 1999 Awards:		
Grant County	\$249,000	HOC/DPA - HOME
Community Housing Initiative, Inc.	\$197,894	Homebuyer - New Construction - HOME
Jeffersonville Housing Services Corporation	\$200,000	Homebuyer - New Construction - HOME
Pathfinder Services, Inc.	\$147,500	Homebuyer - New Construction - HOME
Housing Partnerships, Inc.	\$338,080	Homebuyer - Rehabilitation - HOME
The Greater Michigan City Community Development Corporation	\$179,000	Homebuyer - Rehabilitation - HOME
City of Warsaw	\$300,000	Owner-Occupied Rehabilitation - CDBG
Daviess County Board of Commissioners	\$500,000	Owner-Occupied Rehabilitation - CDBG
Orange County Commissioners	\$300,000	Owner-Occupied Rehabilitation - CDBG
Town of Pierceton	\$200,000	Owner-Occupied Rehabilitation - CDBG
Town of Straughn	\$300,000	Owner-Occupied Rehabilitation - CDBG
City of Rochester	\$160,000	Owner-Occupied Rehabilitation - HOME
Providence Self Sufficiency Ministries, Inc.	\$73,873	Owner-Occupied Rehabilitation - HOME
Community Action Program, Inc. of Western Indiana	\$378,000	Rental - New Construction - HOME
The Greater Michigan City Community Development Corporation	\$716,000	Rental Rehabilitation - HOME
Stepping Stone Shelter for Women, Inc.	\$500,000	Transitional Housing - New Construction - HOME
North Central Community Action Agencies, Inc.	\$240,000	Transitional Housing - Rehabilitation - HOME
Total Awards August - November:	\$6,338,347	

Ideas for Generating Operating Income for a CHDO

Many Community Housing Development Organizations (CHDOs) find it a constant challenge to secure funds to support their administrative overhead. CHDOs can generate income through a HOME-funded CHDO-eligible activity; namely a project that is owned, developed or sponsored by a state-certified CHDO. CHDO eligible-activities include homebuyer and rental projects and can be new construction, rehabilitation, or a combination of the two.

The first way a CHDO can generate income is by including a developer's fee in the development costs of the project. The portion of this fee applied to a HOME CHDO grant, along with CHDO operating expenses, cannot exceed 13% of the award.

Additionally, when a CHDO does a homebuyer project, the CHDO can build a HOME amortized loan into the homebuyer's permanent financing of the home purchase. The CHDO would work through IHFA's single-family proforma to determine the amount of each homebuyer's monthly affordable mortgage payment. Then the CHDO can structure the buyer's financing so that up to 20% of their affordable mortgage is paid to the CHDO in the form of a HOME amortized loan. The remaining portion of the affordable mortgage would be paid to a commercial lender through a typical mortgage program. The HOME-amortized loan must carry a 0% interest rate and a loan term that does not exceed 15 years. The repayment of the amortized loan is income to the CHDO and should be used to support its mission in creating

affordable housing and sustaining its normal operations.

For example, if a homebuyer received a HOME-amortized loan of \$10,000 for 15 years at 0% interest, the monthly payment from the homeowner to the CHDO would be \$55.56. The \$55.56 paid each month by the homeowner is income to the CHDO.

Another way for a CHDO to generate income is through a rental project. The monthly rent received, after operating expenses and debt service are paid, is income that can be kept by the CHDO. The income should be used to sustain the rental development or to further the mission of the CHDO in creating affordable housing.

Local units of government, townships, public housing authorities, 501(c) 3 organizations, and CHDOs participating in non-CHDO-eligible projects cannot use HOME to generate operating income in this manner. IHFA does not encourage these groups to utilize amortized loans with HOME funds because the repayment of this money is considered HOME program income. HOME program income is gross income received by a recipient or subrecipient that is directly generated from the use of HOME or HOME matching contributions. This income retains its HOME identity and must be returned to IHFA. If you have more questions about HOME-amortized loans, contact your Development Specialist at (317) 232-7777 or (800) 872-0371.



(Section 8 continued from page 3)

discretion, offer this lease-purchase option to their beneficiaries under the current regulations. In this way, Section 8 rental assistance can be used to help low- to moderate-income families achieve the dream of homeownership.

HUD has issued a proposed rule that would allow PHA's to use Section 8 vouchers for a homeownership program where the recipient could actually use the voucher for their mortgage payments. The proposed rule is dated April 30, 1999, and addresses 24 CFR Part 982. Copies of the

proposed rule can be obtained from your Development Specialist. A final rule on this issue is still pending. For more information, and to learn whether or not this Section 8 lease-purchase option is available in your community, contact your local public housing authority.

(Market Study continued from page 5)

website at [http://www.](http://www.indianahousing.org)

[indianahousing.org](http://www.indianahousing.org) in January.

A printed copy of the *Indiana Statewide Housing Market Study* is available at a cost of \$40 and the *Transitional Housing Needs Assessment* is available for \$_. Both publications can be ordered by faxing a request with your name, address, and phone number to Development Assistant at (317) 232-7778.

Robert V. Welch Jr.
Executive Director
Indiana Housing Finance
Authority

Upcoming Training Opportunities

Title	Date	Location	Contact Information
Project Development Training	Session 1: Jan. 26-27, 2000 Session 2: Feb. 17-18, 2000 Session 3: Mar. 30-31, 2000 Session 4: Apr. 27-28, 2000 Session 5: May 18-19, 2000	Indianapolis Neighborhood Resource Center 1802 N. Illinois St.	IACED (317) 464-2044
Housing Solutions: Low Income Housing Options for the Elderly and Disabled	Feb. 10, 2000	Primo Banquet Hall North, 5649 Lee Rd, Indianapolis	IAHSA (317) 733-2385
Lead-Based Paint Training	Mar. 14-16, 2000	Adams Mark Hotel Indianapolis-Airport	HUD (317) 248-2481
Tax Credit Compliance Training	Mar. 29, 2000 (tentative)	To be posted on: http://www. indianahousing.org	Melanie Reusze (800) 872-0371
IHFA Round 2 (2000) Application Workshop	Apr. 13, 2000	Indianapolis	Development Assistant (800) 872-0371
IHFA Round 1 (2000) Start Up Training	Apr. 18-20, 2000	Indianapolis	Compliance Assistant (800) 872-0371



Indiana Housing Finance Authority
115 W. Washington St.
Suite 1350, South Tower
Indianapolis, IN 46204-3413

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